

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 IO-14 NEA-10 DOTE-00 SPC-03

AID-20 EB-11 NSC-10 RSC-01 CIEP-02 SS-20 STR-08

OMB-01 CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 L-03 H-03 PA-04 USIA-15

PRS-01 DRC-01 DODE-00 AGR-20 /199 W
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P 280637Z DEC 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 0036

INFO AMEMBASSY BANGKOK PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 3/31/74

TAGS: EAID, EFIN, TH

SUBJ: PROPOSED ADB HIGHWAY PROJECT LOAN (THAILAND)

REF: A. MANILA 7955

B. TRSY P161436Z JUL 73

SUMMARY: ADB MANAGEMENT PROPOSES \$12.6 MILLION EQUIVALENT
LOAN FROM ORDINARY CAPITAL TO KINGDOM OF THAILAND TO
FINANCE FOREX COSTS OF CONSTRUCTION AND IMPROVEMENT OF
THREE SECTIONS OF NATIONAL PRIMARY HIGHWAY CONNECTING
BANGKOK TO INDUSTRIAL AND RESORT AREAS ON THE SOUTHEAST
COAST OF THAILAND. PROJECT INCLUDES CONSTRUCTION OF 2
SECTIONS TOTALING 64.4 KM OF NEW 2-LANE CARRIAGEWAYS
ALONGSIDE EXISTING ONES; RECONSTRUCTION TO BETTER GEO-
METRIC STANDARDS OF 16 KM OF A SECTION OF AN EXISTING 2-
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LAND CARRIAGEWAY, AND CONSULTANT SERVICES. USADB RE-

COMMENDS FAVORABLE NAC ACTION. END SUMMARY.

1. ADB DOC R120-73 WITH ATTACHMENTS DESCRIBING PROPOSED
LAON POUCHED ADDRESSEES DEC. 26. BOARD CONSIDERATION
SCHEDULED JAN. 10.

2. ADB MANAGEMENT PROPOSING U.S. \$12.6 MILLION LOAN FROM
ORDINARY CAPITAL RESOURCES TO GOVT OF KINGDOM OF THAILAND.
PROCEEDS WILL FINANCE FOREX COST OF CONSTRUCTING SECOND
2-LANE CARRIAGEWAY ALONGSIDE EXISTING ONE BETWEEN BANG
NA AND BANG PAKONG (53.7 KM - SECTION 1); RECONSTRUCTION
OF STRETCHES TOTALING 16 KM BETWEEN CHON BURI AND SI
RACHA (SECTION 2); CONSTRUCTION OF NEW 2-LANE CARRIAGEWAY
ALONGSIDE EXISTING ONE BETWEEN BANG LAMUNG AND PATTAYA
(10.7 KM - SECTION 3) AND CONSULTANT SERVICES. PROPOSED
TERMS ARE 25 YEAR AMORTIZATION INCLUDING 5 YEAR GRACE
PERIOD, 7 1/2 PERCENT INTEREST. KINGDOM OF THAILAND TO BE
BORROWER, DEPT OF HIGHWAYS IN THE MINISTRY OF COMMUNICATIONS
EXECUTING AGENCY.

3. PROJECT WHEN COMPLETED WILL MEET PROJECTED TRAFFIC
NEEDS FOR GULF OF THAILAND COASTAL AREA FROM BANG NA TO
PATTAYA (ABOUT 137.4 KM) BY COMPLETING A 4-LANE HIGHWAY
OF ACCEPTABLE DESIGN STANDARDS CONNECTING BANGKOK TO
RECENTLY-DISPERSED MANUFACTURING AREAS IN INDUSTRIAL
TOWNS OF CHON BURI AND SI RACHA, AND THEN CONTINUING TO
BEACH RESORTS AROUND PATTAYA. THE PROPOSED HIGHWAY
PROJECT WOULD ALSO SERVICE TRAFFIC TO THE PROPOSED NEW
INTERNATIONAL AIRPORT NEAR BANG PHLI, AND WOULD FACILITATE
ACCESS TO BANGKOK FROM THE TWO ALTERNATIVE SITES NOW
UNDER CONSIDERATION FOR POSSIBLE DEEP-WATER CONTAINER
PORTS AT EITHER LAEM CHABANG (BETWEEN SI RACHA AND BANG
LAMUNG) OR AT SATTAHIP (EXISTING MILITARY PORT SOUTH OF
PATTAYA). OTHER PORTIONS OF THIS HIGHWAY WERE COMPLETED
UNDER THE SECOND IBRD HIGHWAY LOAN (1966) OR ARE UNDER
CONSTRUCTION AND BEING FINANCED BY THE FIFTH IBRD
HIGHWAY LOAN.

4. AREA SERVED BY THE PROJECT HIGHWAY SOUTH AND EAST OF
BANGKOK IS RELATIVELY DENSELY POPULATED AND ONE OF
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RAPIDLY EXPANDING AND VARIED ECONOMIC ACTIVITY. AREA
IS PREDOMINANTLY AGRICULTURAL (FARMING ACCOUNTS FOR 55-65
PERCENT OF VALUE ADDED IN AREA) WITH A MAIN CROP OF RICE,
HOWEVER COCONUT, CASSAVA, SUGAR CANE, TOBACCO AND RUBBER
ARE OTHER IMPORTANT CASH CROPS. FRUITS AND VEGETABLES,
WITH A READY MARKET IN BANGKOK ARE ALSO GROWN. FISHING
IS ANOTHER MAJOR ACTIVITY WITH THE CATCH ALONG THE COAST
OF THE PROJECT AREA INCREASING AT AN ESTIMATED AVERAGE

ANNUAL RATE OF 20 PERCENT DURING THE LAST 10 YEARS. PROCESSING INTO FISH SOY, SHRIMP PASTE AND SALTED FISH HAS EXPANDED RAPIDLY.

5. MANUFACTURING NOW ACCOUNTS FOR 25-35 PERCENT OF VALUE ADDED IN PROJECT AREA, BUT SHARE OF MANUFACTURING HAS BEEN INCREASING AS DISPERSION FROM BANGKOK CONGESTION HAS BEEN INDUCED. MAJORITY OF 3900 INDUSTRIES LARGELY AGRICULTURAL PROCESSORS WITH NOTABLE EXCEPTION OF REFINERY AT SI RACHA HAVING ANNUAL OUTPUT 2.6 MILLION TONS OF PETROL AND FUEL OIL; 20,000 TONS OF BITUMEN. ALSO THERE ARE LIGHT ENGINEERING, TEXTILE AND FURNITURE PLANTS.

6. AREA ALSO EXPERIENCING SIGNIFICANT TOURISM EXPANSION, WITH COASTS OF PATTAYA AND BANSSEN ATTRACTING INCREASING NUMBERS OF BOTH DOMESTIC AND INTERNATIONAL TRAVELLERS. EXPANSION OF HOTEL AND OTHER ACCOMMODATIONS NOW UNDER WAY.

7. WITH TRAFFIC VOLUME INCREASING RAPIDLY, THE PROJECT PORTIONS OF THE HIGHWAY ARE INADEQUATE AND UNDULY INCREASE TRANSPORTATION COSTS. EXISTING 2-LANE PORTIONS NEED TO BE WIDENED TO 4 LANES (SECTIONS 1 AND 3) AND RECONSTRUCTION OF EXISTING ORIGINAL 2-LANE CARRIAGEWAY TO BRING IT UP TO STANDARD OF ADJACENT, NEW 2-LANE CARRIAGEWAY (SECTION 2) IS URGENTLY REQUIRED TO INCREASE CAPACITY TO CARRY TRAFFIC UNDER MAXIMUM SPEED AND LEAST COST. PROJECT HIGHWAY PLANNING HAS BEEN COORDINATED WITH AN INTEGRATED URBAN TRANSPORT STUDY FINANCED BY FEDERAL REPUBLIC OF GERMANY AND JAPANESE-ASSISTED FEASIBILITY STUDY FOR A SECTION OF AN OUTER RING ROAD. GOVT HAS ACCORDED HIGH PRIORITY TO DEVELOPMENT AND IMPROVEMENT ALL 3 SECTIONS OF HIGHWAY AND PROJECT IS INCLUDED IN REVISED THIRD FIVE YEAR PLAN (1532-76).
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INFO OCT-01 EA-11 ISO-00 IO-14 NEA-10 DOTE-00 SPC-03

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8. TOTAL COST OF PROJECT IS ESTIMATED AT U.S. \$22.9 MILLION, OF WHICH FOREX COMPONENT OF U.S. \$12.6 TO BE FINANCED FROM PROPOSED LOAN. GOVT HAS ASSURED REQUIRED LOCAL CURRENCY COSTS WILL BE MET FROM GENERAL REVENUE RESOURCES, ALLOCATED AS REQUIRED IN ANNUAL BUDGETS. LOAN PROJECTS WOULD FINANCE FOREX COMPONENT OF CIVIL WORKS (U.S. \$10.13 MILLION) AND CONSULTANT SERVICES (U.S. \$.86 MILLION) PLUS 15 PERCENT CONTINGENCY, AND GOVT WILL FINANCE LOCAL CURRENCY COSTS OF CIVIL WORKS (U.S. \$8.28 MILLION EQUIVALENT) AND CONSULTANT SERVICES (U.S. \$.70 MILLION EQUIVALENT). FOREX COMPONENT OF CIVIL WORKS IS ESTIMATED AT 55 PERCENT ON ASSUMPTION ENTIRE CONSTRUCTION PERFORMED BY FOREIGN CONTRACTORS. IN EVENT CIVIL WORKS AWARDED TO AND UNDERTAKEN BY QUALIFIED DOMESTIC CONTRACTORS, FOREX COMPONENT ESTIMATED TO BE 40 PERCENT; INTERMEDIATE PERCENTAGE IN CASE OF JOINT VENTURE AWARD TO BE DETERMINED BY BANK IN CONSULTATION WITH BORROWER.

9. CIVIL WORKS WILL BE CONSTRUCTED BY CONTRACTORS ENGAGED BY GOVT ON BASIS INTERNATIONAL COMPETITIVE BIDDING IN LIMITED OFFICIAL USE

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ACCORD BANK'S GUIDELINES FOR PROCUREMENT. PROJECT TO BE DIVIDED INTO APPROPRIATE CONTRACT PACKAGES TO ASSURE RESPONSE FROM LARGE NUMBER QUALIFIED FOREIGN AND LOCAL CONTRACTORS, WITH AWARDS MADE ON BASIS UNIT PRICES OF CONSTRUCTION FOR VARIOUS ITEMS OF WORK, CONTRACTORS TO PROVIDE ALL NECESSARY EQUIPMENT AND MATERIALS (SEE SIDE LTR NO. 2, PARA 5). CONTRACTORS HAVE OPTION TO IMPORT CONSTRUCTION EQUIPMENT DUTY FREE OR HIRE PART LOCALLY, IF AVAILABLE WITHIN COUNTRY.

10. AS NOTED REF A, BANK HAS AGREED FOR PURPOSE ENGAGING CONSULTANTS, TO CONSIDER PROJECT COMPRISED OF TWO PARTS; FIRST PART - SECTION 1 - BANG NA-BANG PAKONG AND SECOND PART - SECTIONS 2 AND 3 - CHON BURI-SI RACHA, AND BANG LUMANG-PASTAYA, WITH SEPARATE CONSULTANTS EACH PART.

PER REF, PROPOSALS HAVE ALREADY BEEN INVITED FOR FIRST PART TO PREPARE DETAILED ENGINEERING DESIGNS, PREPARATION OF SPECS AND TENDER DOCUMENTS AND CONSTRUCTION SUPERVISION. WITH BANK APPROVAL, GOVT NEGOTIATING WITH DANISH CONSULTANT KAMPSAX (WHO PREPARED DETAILED ENGINEERING DESIGNS FOR SECOND PART (SECTION 2 AND 3, TO REVIEW DESIGNS, PREPARE SPECS AND TENDER DOCUMENTS AND SUPERVISE CONSTRUCTION. (SEE SIDE LTR NO. 3, PARA 5.)

11. DEPT OF HIGHWAYS (DOH) IN MINISTRY OF COMMUNICATIONS TO BE EXECUTING AGENCY, HAS SPECIALIZED OFFICES AND DIVISIONS AND CONSIDERABLE EXPERIENCE IN SATISFACTORILY IMPLEMENTING IBRD-FINANCED PROJECTS. DOH HAS BEEN RECIPIENT VARIOUS STAFF TRAINING GRANTS AND ADVISORY SERVICED FROM IBRD-FINANCED CONSULTANTS AND BILATERAL TECHNICAL AND CAPITAL ASSISTANCE FROM AUSTRALIA, JAPAN AND NEW ZEALAND. DOH WILL DESIGNATE DEPUTY DIRECTOR GENERAL AS PROJECT DIRECTOR FOR THIS FIRST BANK-FINANCED TRANSPORT SECTOR LOAN IN THAILAND, WILL ASSIGN TECHNICAL AND OTHER REQUIRED STAFF TO PROJECT OFFICE. GOVT AGREES TO MAINTAIN AND REPAIR PROJECT HIGHWAY, ASSURES PROVISION ADEQUATE STAFF, MONEY AND EQUIPMENT FOR THIS PURPOSE (SEE SIDE LTR NO. 4, PARA 5). (IBRD'S FIFTH HIGHWAY LOAN PROVIDED MAINTENANCE EQUIPMENT AND CONSULTANTS TO PERFORM MAINTENANCE STUDY ENTIRE THAI ROAD NETWORK.) GOVT HAS LIMITED OFFICIAL USE

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ACQUIRED NECESSARY RIGHT-OF-WAY FOR PROJECT, AND ASSURES THAT IT WILL ACQUIRE ANY ADDITIONAL RIGHT-OF-WAY IF FOUND NECESSARY AFTER DETAILED ENGINEERING WORK.

12. PROJECT ESTIMATED TO TAKE 5 YEARS FOR IMPLEMENTATION, CONSIDERED TECHNICALLY SOUND AND ECONOMICALLY Viable, WITH ECONOMIC INTERNAL RATE OF RETURN OF 19 PERCENT. IN ADDITION TO REDUCING TRANSPORT COSTS (VEHICLE OPERATION AND MAINTENANCE) IN SAVINGS IN TRAVEL TIME, PROJECT WILL HAVE INDIRECT BENEFITS OF RELIEVING URBAN PRESSURES ON BANGKOK BY INDUCING MORE RAPID DISPERSAL OF MANUFACTURING ACTIVITIES; PROVIDING EMPLOYMENT AND STIMULATING OTHER ECONOMIC ACTIVITIES. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

13. IT SHOULD BE NOTED THAT ALTHOUGH THIS INITIAL PROJECT

BY BANK IN TRANSPORT SECTOR IS FULLY COORDINATED WITH OTHER RELEVANT DONORS (IBRD, WEST GERMANY, JAPAN), OVERALL COORDINATION OF TRANSPORT POLICY REMAINS CHALLENGING TASK DUE TO VARIOUS EXECUTING AGENCIES INVOLVED IN THIS SECTOR AND MULTIPLICITY OF DONORS PROVIDING BOTH CAPITAL AND TECHNICAL ASSISTANCE. USADB IS THEREFORE PLEASED TO NOTE THAT GOVT HAS DECIDED TO ESTABLISH TRANSPORT PLANNING UNIT IN MINISTRY OF COMMUNICATIONS AND TRANSPORT POLICY AND PLANNING COMMITTEE COMPRISED OF CONCERNED MINISTRIES AND AGENCIES.

14. REQUEST BANGKOK COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DTD 3 JULY 1972. SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, TOURISM, HIGHWAY TRANSPORTATION, DEVELOPMENT PROGRAMS, HIGHWAYS, FOREIGN ASSISTANCE, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MANILA14321
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: MANILA
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1973/newtext/t1973123/aaaaabyr.tel
Line Count: 291
Locator: TEXT ON-LINE
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. MANILA 7955
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 01 FEB 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01-Feb-2002 by martinjw>; APPROVED <20 FEB 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED ADB HIGHWAY PROJECT LOAN (THAILAND)
TAGS: EAID, EFIN, TH, ADB
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005